

**What matters for business incubation?
Lessons from the Russian experience
for the United Nations Special
Programme for the Economies of
Central Asia (SPECA).**

report produced by

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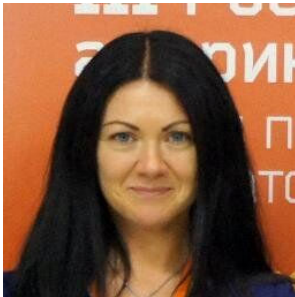
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ESRC, ERDF, Department for Business, Innovation and Skills, Leicestershire Learning and Skills Council, Centre for Enterprise and UK Trade and Investment to examine entrepreneurship in different contexts and deliver impact. Apart from contributing to a number of books and special issues as an editor, his papers have won prizes in international conferences and have been published in highly reputable academic journals. He has over 10 years of industry experience in the private and public sectors, in the UK and abroad, prior to his academic carrier.



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What matters for business incubation? Lessons from the Russian experience for SPECA² countries.

Executive Summary

Business incubators have been recognised as potential vehicles to foster economic growth within countries and, particularly, as important supporting mechanisms in facilitating the provision of the environment, resources and learning opportunities required by many new and growing small businesses to be able to thrive and succeed. Both governments and international organisations appear keen in playing a role to promote business incubators.

Combining the knowledge of five experts in this field, a review of the main key factors affecting business incubators' performance is presented and a framework is proposed. Using data collected from interviews which were carried out with ten Russian incubators (regarded as 'best practice' ones in the country due to the survival rate of their incubatees and the general perceived performance of such companies), we highlight some important trends in business incubation.

Finally, in this report, drawing from the situated learning and institutional theories, we also provide recommendations with a focus on the aspects on institutional environments and business incubators' approaches which can be conducive to a sustainable development of business incubation among emerging SPECA countries.

² SPECA stands for the United Nations Special Programme for the Economies of Central Asia, which includes the following countries: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

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What matters for business incubation?

Lessons from the Russian experience for SPECA countries.

1. An Introduction to Business Incubation

The first known business incubator originates from New York, when Joseph Mancuso founded the Batavia Industrial Center. According to Brown *et al.* (2000), business incubators have emerged as support structures to assist entrepreneurs in business creation and development. Khalil and Olafsen (2010) define business incubation as a process which can enable the development and scaling of early-staged enterprises. Specifically, business incubation relates to an organisation that provides support to new and start-up companies, through the supply of facilities, such as office space and shared services (ie, shared reception) (NBIA, 2007), as well as various learning and networking opportunities (Bollingtoft, 2012; Ebbers, 2013), knowledge advancement which often includes management training, monitoring skills and sometimes easier access to capital (Allen and McCluskey, 1990; Smilor and Gill, 1986; Tornatzky et al., 1996). As such, business incubators are often termed as catalysts for regional and/or national economic development (Rubin *et al.*, 2015).

Business Incubation became particularly popular in the US in the 1980s and this trend soon reached Europe, with the spread of incubators taking various forms, such as science parks and innovation centres. Incubation activity is now also common among several developing countries and has attracted attention from international organisations, such as the World Bank and the United Nations Industrial Development Organization. It is estimated that there should be at least 7,000 incubators across the world and some expect this number to be closer to 13,000, depending on the selected definition of incubator – for commonly adopted definitions of business incubation/incubator, see Theodorakopoulos *et al.* (2014).

The overall goal of this report is to share best practices and analyse developments in the Russian business incubation, by using the experience of ten of the most successful Russian business incubators.

The report also aims at providing policy recommendations to SPECA Government officials and technical experts on incubators on the basis of the findings obtained from the Russian experience and a UNECE meeting attended by SPECA representatives, where they

have discussed their aims and aspirations for the SPECA countries. Based on the insights from leading international experts, this report examines the institutional environment and provides recommendations that can foster business incubation within the context of a sustainable development for the emerging SPECA countries.

Specifically, this report sets out clear criteria which can enable the successful establishment of business incubators in SPECA countries. In addition, key factors of survival and long-term sustainability for business incubators are also articulated.

This study is based on the interviews to 10 of the most successful Russian incubators, according to their survival strategies, factors of success and associated constraints. The main areas of the interviews are related to innovations, impediments facing the developing incubator, relations with state institutions, etc. Through lenses which focus on both the institutional and the situated learning theories, a detailed analysis has been conducted of the findings obtained relating to business incubation both in Russia and the SPECA countries. Finally, guidelines for a business incubation agenda in SPECA is detailed.

After a brief introduction to business incubation, the rest of the report is structured as follows: in Section 2, we discuss the key factors of success that need to be taken into account when examining business incubators. We then present a framework in section 3, which focuses on the business development process, to facilitate the analysis and detail the situated learning theory as well as the institutional theory as key lenses through which business incubation can be investigated. Section 4 discusses the Russian experience with respect to business incubation in recent years and the final section concludes the report with some identified recommendations for the SPECA countries.

2. Key Factors of success and Long-term Sustainability

2.1. Stages of Incubation

Gerlach and Brem (2015) and, more recently, Olkiewicz *et al.* (2019) have categorized incubation into three stages according to the type of support provided by business incubators: pre-incubation, incubation and post-incubation phases. These are briefly described below:

The pre-incubation stage is characterized by a pre-entry programme, which supports the potential entrepreneurs in formulating their business ideas, models and business plans. This stage also normally involves the provision of entrepreneurial training and coaching.

The incubation phase (3-4 years, but no strict requirements) focuses on activities that provide support to entrepreneurs which are immersed in either business creation or business growth, for which small businesses require, among other things, financial support, business advice, training, coaching and benefit from networking opportunities.

The post-incubation stage (3-5 years, after graduation from incubator) includes activities such as networking and the provision of workshops, as well as providing support to businesses to foster innovations, exporting and/or other relevant activities.

2.2. Measuring Business Incubator Performance

There is no consensus in the literature regarding the methodology for measuring incubator performance and establish whether a business incubator has been successful (Dee *et al.* 2011; Pompa, 2013). This is, to a certain extent, due to the fact that success has a different meaning to different stakeholders, as highlighted by Hannon and Chaplin (2003). As claimed by Vanderstraeten and Matthyssens (2010), success can be interpreted as a business surviving longer due to being incubated or because its sales or level of employment have grown significantly during a certain number of years.

Unfortunately, it is equally difficult to measure success. There is an extensive list of success factors relating to business incubation. Theodorakopoulos *et al.*, (2014) detail some of these, including: business incubator occupancy rate and/or number of new firms supported, business incubator space, graduate firms, level of funding received from key benefactors, sales growth and employment growth. Whilst certain statistical outputs, such as survival rate of incubatees or sales growth can perhaps be more straightforward to measure, there can be additional aspects of effectiveness that are only or, at least, more relevant to specific incubators, incubatees and regions. For instance, survival rates as a measure of success may be primarily relevant to those business incubators for which the main goal is to maintain businesses in the region and/or to improve the regional entrepreneurial ecosystem, rather than perhaps others that may focus primarily on the creation and generation of innovation and its spillover effects or may measure success, taking into consideration the amount of funding and/or the amount of time invested in the incubatees (Dvoulety *et al.*, 2018).

In addition, as argued by Voisey *et al.* (2006), there are often ‘soft’ aspects to business incubation, particularly involving tacit knowledge, which may have a positive impact on the incubation outcome but, again, may present serious measuring challenges. In addition, some outcomes may take several years to come to fruition and the number of years also depends on the nature of the business (Dee *et al.*, 2011). Hence, Cornelius and Bhabra-Remedious (2003) advocate that in order to develop a comprehensive incubator performance evaluation model, the performance of new ventures entering and graduating from that incubator must be tracked.

3. The Business Development Process

More broadly, an investigation of business incubation over the years has shown that there needs to be a broader view of what constitutes key success factors for a business incubator, so that a bias regarding outcome assessment can be minimized. As per Honig and Karlsson (2007), not only has there been failure in identifying the right cases of success but there has also been a failure in learning from mistakes.

To address the above issues, there has been a significant shift in the way performance of business incubators is examined to include, not only physical facilities and tangible elements of the business, but importantly, the business management know-how, as well as access to the relevant resources, information and networks relating primarily to the process of incubation. This business development process is certainly important in enabling opportunities to be identified and pursued by business incubatees, as put forward by Lewis *et al.* (2011) and Adlesic and Slavec (2012).

As a result of the highlighted shortcomings, it is important that due consideration is given to other factors when analyzing business incubation performance (Theodorakopoulos *et al.*, 2014), including: selection policy adopted when selecting incubatees (Khalid *et al.*, 2012), criteria stipulated for exit and graduation (Al-Mubarak and Shrodi, 2012), extent of shared office space and other resources (Lewis *et al.*, 2011), incubator manager competences as well as the relationship between the incubator manager and the incubates owners and employees (Dee *et al.*, 2011), management of support services, level of advice provided with respect to regulations, technology and research and development support, networking activities offered, access to funding (Ebbers, 2013) and monitoring of performance (UKBI, 2009, 2012).

Among the many frameworks that have emerged mainly in the last two decades on business incubation, Costa-David *et al.* (2002) provides a clear, yet detailed visual

representation of how variables interact and mediate the process of incubation between inputs and outputs – see Figure 1. Drawing from a general input-process-output model, it provides information as to how incubation can affect this process through a combination of factors which help shape the operational dimension of this model. In addition, it also shows the wider environmental role in sculpting this model, as well as the impact that incubation can play in the environment, particularly at a local or regional level.

Complementary to this framework, Theodorakopoulos (2013) provides a detailed identification of key indicators for assessing business incubation performance under each of six domains, set out as: governance, management and strategy; selection policy; graduation policy; support offering and delivery; monitoring and evaluation and added value. As elaborated in his work, Theodorakopoulos (2013) argues that the business incubator management team can lead to a high quality of training in the development of incubates, particularly when business incubators are specialized in a particular sector.

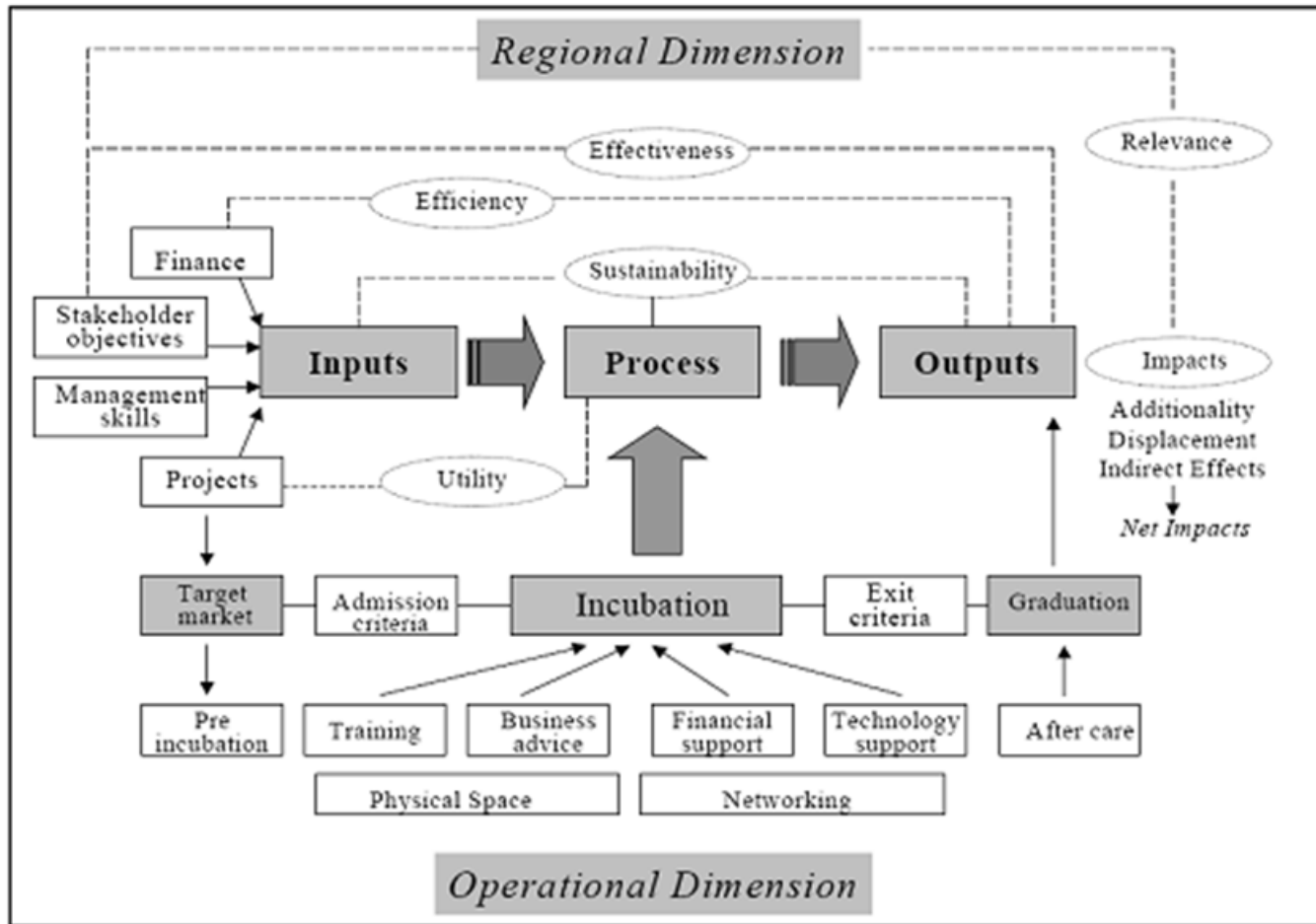
He also advances that the selection screening process, where the decision is made as to the acceptance or not of a tenant is extremely important, and the criteria should be sufficient rigorous so that business incubator managers will have a high probability of ‘picking winners’, ie businesses that will graduate.

With respect to the graduation policy, this relates to the exit policy for the incubates. Not only does this include the number of years after which companies are expected to exit the business incubator premises but also whether the policy is enforced. In some cases, companies tend to stay for longer as they are aware that incubators prefer to keep a 100% occupancy rate of their premises throughout the year.

Support offering and delivery tends to focus on enabling the entrepreneurs to carry out their business operations, by providing them with resources, skills and networking opportunities that can help foster the incubatees’ long-term success.

Another domain which is highlighted relates to the monitoring of incubates and the businesses that have graduated as well as an evaluation of the process by the business incubator, so that lessons can be learnt and improvements can be made where necessary to improve the performance both of the incubator and future incubates.

Figure 1: The Input-Process-Output Model adapted to Business Incubation



Source: Costa-David *et al.* (2002)

Table 1: Domains and Indicators for Assessing Business Incubation Performance

	Domains	Indicators
1	Governance, Management & Strategy	<ol style="list-style-type: none"> 1. Governance of the business incubator 2. Management team effectiveness 3. Business incubation strategy
2	Selection Policy	<ol style="list-style-type: none"> 4. Selection criteria and procedure 5. Selectivity ratio (Number of applicants over Number of selected applicants)
3	Graduation Policy	<ol style="list-style-type: none"> 6. Exit process 7. Links with graduate ventures (post-incubation)
4	Support Offering & Delivery	<ol style="list-style-type: none"> 8. Coaching 9. Monitoring 10. Client networking 11. Business support and incubatee development services 12. Financial support 13. Seed fund activities 14. Advisory board 15. Facilities and shared admin support offered 16. Financial Management 17. Institutional and industry links 18. Pre-incubation services 19. Virtual incubation services 20. State of the art admin and facilities services
5	Monitoring and Evaluation	<ol style="list-style-type: none"> 21. Monitoring of performance of incubatees 22. Monitoring of performance of graduated companies 23. Business incubator evaluation
6	Added value	<ol style="list-style-type: none"> 24. Number of incubatees 25. Number of ad hoc clients 26. FTE job creation amongst incubatees 27. Number of graduates 28. FTE job creation amongst graduated companies 29. Survival rates after graduations 30. Levels of innovation 31. Funding raised by incubatees 32. Capital raised by incubatees 33. Income and expenditures (business incubator) 34. Cost per job (business incubator) 35. Revenues (incubatees) 36. Taxes paid by incubatees and graduate firms

Source: Theodorakopoulos (2013).

Finally, in order to have a good overview of the outputs delivered and outcomes achieved, a set of measures need to be in place to provide evidence as to whether added value was generated by these initiatives. Examples of measures are set out on Table 1.

3.1. The Role of Theory

In order to better understand business incubation, it is important to investigate the incubator manager as a leverage factor in the above framework as the role of the incubator manager tends to affect many of the aspects relating to the incubatee, particularly with respect to support services, training and networking. Situated learning theory is well placed in enabling this investigation, as it is based on learning which takes place in communities of practice (Theodorakopoulos *et al.*, 2014), that focus on people who pursue a common enterprise (Brown and Duguid, 1998). As Wenger (1998, p. 22) argues: “what is needed is not to create learning, but rather to create the circumstances that make learning empowering and productive” within such communities. This theory advocates that three main aspects can influence the quality of communities: community strength, identity health and boundary space quality.

The strength of a community relates to how members engage with each other to achieve a common goal, such as business survival and sales growth. Identity health focus on empowering entrepreneurs and encouraging them to put forward new ideas in a way that it can foster learning and development. Finally, boundary space quality relates to enabling coordination, encouraging transparency in decision-making and providing the room for negotiation. Hence, the situated learning theory appears to be central in underpinning the operational dimension of the framework (see Figure 1).

If we then concentrate our attention on the regional dimension of the same framework, we can refer to Scott (2001, 2008)’s institutional theory who provides three important pillars which underpin aspects of social structure and can help us understand the relevance of this dimension within the context of business incubation. This theory is particularly useful in that it explains how various structures, ie norms, routines and regulations are created, diffused and adopted.

In his research, Scott (2001, 2008) identifies three pillars of institutions: the regulative, normative, and cultural-cognitive. These three pillars consist of different indicators, mechanisms, logic, and bases of compliance, order, and legitimacy, as set out in Table 2 below.

Table 2: Scott’s institutional theory – the three pillars.

	Regulative	Normative	Cultural-Cognitive
<i>Basis of compliance</i>	Expedience	Societal Obligation	Taken-for-grantedness Shared understanding
<i>Basis of order</i>	Regulative rules	Binding expectations	Constitutive Schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules Laws Sanctions	Certification Accreditation	Common beliefs Shared logics of action Isomorphism
<i>Affect</i>	Fear guilt/Innocence	Shame /Honor	Certainty/Confusion
<i>Basis of legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

Source: Reproduced from Scott (2001, 52).

The investigation of business incubation effectiveness through the lens of the institutional theory can provide a more coherent assessment of a business incubator’s functioning. The regulative pillar corresponds to North’s formal rules (North, 1990), the normative and cultural-cognitive pillars to the informal rules and the ‘bases of legitimacy’ and ‘bases of compliance’ to North’s ‘enforcement mechanisms’. Combining institutional economics and sociological approaches should provide us with a robust framework for interpreting the effectiveness of business incubators.

The importance of formal rules cannot be underestimated when establishing business incubators. Their interplay with informal rules depicts the full picture of the success factors. Policy makers have often claimed to use the following dimensions in their development programmes of business incubators, namely: providing financial support to incubators, creating and supporting dedicated incubation programs that are operated by public sector and creating specific conditions for easier access to incubators by under-represented or disadvantaged groups of entrepreneurs.

The ways through which policy makers approach each of the above-mentioned dimensions can often be regarded as a pre-condition to the success or failure of the functioning of a business incubator. Based on findings from a study by the OECD and the European Commission (2019), business incubators appear to be able to provide an effective support for new and growing business where a number of success factors is available so that the business incubator can promote social inclusion. These include:

- providing pre-incubation service which should be sufficiently robust, to ensure that the new entrepreneurs have a good chance of succeeding;
- facilitating strong linkages with the main stakeholders (business support providers, investors, businessmen) and assisting with the necessary infrastructure;
- encouraging a community-building environment as a core objective to facilitate peer-learning;
- delivering formal support in flexible modules;
- using monitoring and evaluation tools in order to understand whether or not the support provided is adequate and impactful;
- training managers and front staff with regards to understanding the challenges faced by different groups.

We now turn to the Russian experience and focus on the findings obtained from interviews carried out to 10 of the perceived most successful business incubators in Russia.

4. Russian Incubators: an Account of Recent Years

Being a part of the entrepreneurial ecosystem, business incubators (BIs), as well as techno-parks, business accelerators and a wide range of other companies providing tailored services to SMEs, belong to the infrastructure of entrepreneurship support. BIs play a special role in the development of small innovative businesses, as they often enable the start with respect to the formation of new entrepreneurs. In addition, they often support a large social ecosystem in a region, involving new communities and social groups (International Business Innovation Association, <http://inbia.org>).

As stated earlier, a business incubator is an organization whose task is to support new small enterprises and entrepreneurs who, due to lack of financial resources, lack of experience and/or qualifications, do not have the opportunity to develop and/or implement their projects outside of a business incubator (Хотяшева и Слесарев, 2017).

4.1. Categories of Incubators in Russia

In Russia, BIs became especially popular in the mid-2000s; in fact, 2009 represents the peak in the number of newly opened business incubators was in the country. Since then, the Russian business incubator market has undergone a number of significant changes, both quantitative and qualitative. Currently, the following types of incubator-related programmes can be distinguished in Russia: business incubator, business accelerator, pre-accelerator, virtual incubator, virtual accelerator, co-working and market space, as shown in Table 3.

From Table 3, it is easy to depict the key differences between business incubators and accelerators: although both reserve the right to conduct competitive selection for participation in a programme, business accelerators are more focused on carrying out time-limited acceleration programmes - in addition to providing basic services for business development, business accelerators can invest in startups from their own venture fund.

Table 3: Comparison of different types of business incubators

Type	Work space for rent	Services (expertise, consulting, etc.)	Own Venture Fund	Limited term of participation in the program	Competitive selection
Business incubator	Yes	Yes	No	Yes/no	Yes
Business accelerator	Yes	Yes	Yes	Yes	Yes
Pre-accelerator	Yes	Yes	No	Yes	Yes
Virtual incubator	No	Yes	No	No	Yes / no
Virtual accelerator	No	Yes	Yes/No	Yes	Yes
Co-working	Yes	Yes/no	No	No	No
Makerspace	Yes	Yes/no	No	No	No

Source: compiled by the authors

A pre-accelerator is a structure in which projects are brought to the level necessary to receive investments, that is, they are prepared for further participation in the acceleration program.

Another trend is the creation of virtual incubators and accelerators that provide services online. Among the main advantages are the absence of territorial binding to any region, lower costs, and in the case of virtual incubators, to work with projects at the earliest stages of their development (for example, at the idea stage). The exact number of such structures is difficult to estimate, but it is often claimed that there are several hundred worldwide.

Strictly speaking, co-working and makerspace development (literally, ‘workshop’) cannot be fully considered variants of business incubators, as they often do not provide a number of important services which are core to the definition of an incubator as a tool to support SMEs. Both aforementioned formats are based on the use of common infrastructure and, sometimes, joint work of entrepreneurs and/or creative individuals, during which they exchange experience, knowledge and competencies, form mixed teams, develop new products and services.

4.2. Main Business Incubation Goals in Russia

Specifically in Russia, the most important goals leading to the creation and functioning of BIs relate to the need to: increase the number of new small businesses in a region; increase the survival rate of competitive startups; commercialize technology; foster the creation and dissemination of innovation; create jobs; disseminate perceived ‘best practice’ regarding both domestic and foreign relevant experiences; support newly established and early-stage small enterprises by providing working space on preferential terms; train young labour force to cope with competition in the marketplace; improve the quality of education among entrepreneurs and staff and, more generally, improve businesses’ competitiveness (Federal Law from July 24, 2007 of No. 209-FZ).

According to a survey we carried out, there were approximately 250 business incubators in Russia as per 2018, although there appears to exist some appetite to reduce their number in the country. In fact, according to the Russian Ministry of Economic Development, this number was significantly lower in 2018, at 143.

One could perhaps argue that one of the main reasons for this trend could be attributed to a poor innovative ecosystem in the regions where some business incubators are based. As a result, it may prove very challenging to meet the ‘planned’ success indicators, especially if there is low entrepreneurial activity and businesses are faced with limited access to venture investments. In fact, it has been claimed by business incubators that it is primarily the lack of

funding, namely the difficulty in attracting angel and pre-seed investments, which constitutes the main reason for the failure of survival of small innovative companies and, as a result, it also acts as a deterrent to the development of new incubator programmes (Upgrade-лаборатория при Минэкономразвития РФ, 2018).

4.3. Russian Incubators by Industry

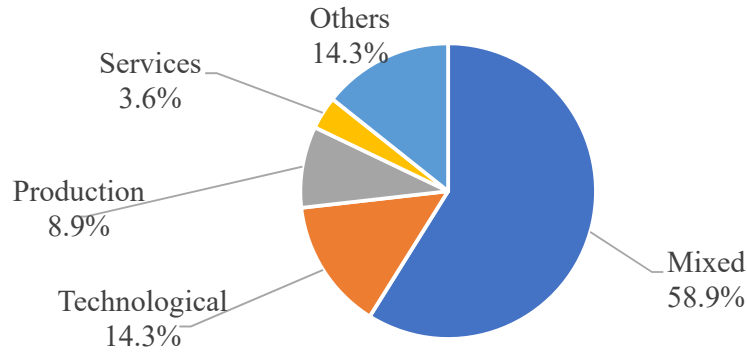
Figure 2 demonstrates that the majority of Russian business incubators (almost 60%) belong to mixed-type incubators (without a pronounced specialization), with a small number specializing in services (3.6%). As expected, just over 14% sit in the technological industry and almost 9% belong to the production industry.

It is also worth noting that, particularly since 2017-18, the practice of creating business incubators inside corporate structures, such as Rostec, Sberbank and Rosatom is expanding as is the active development of business incubators in niche sectors such as in Medtech and Greentech.

As for the legal format, the majority of Russian BIs are either budgetary institutions or structural units of the latter, ie almost half of all incubators are owned by the regional administration, 28% are owned by universities and 21% by the municipal administration.

According to our findings some domestic incubators still declare a profit from their activities, however, it is important to understand that the income from the provision of paid services from budget organizations is only a particular part of cash receipts, which is obviously is not covering all costs.

Figure 2: Specialization of the Russian business incubators by branch affiliation of residents, 2018



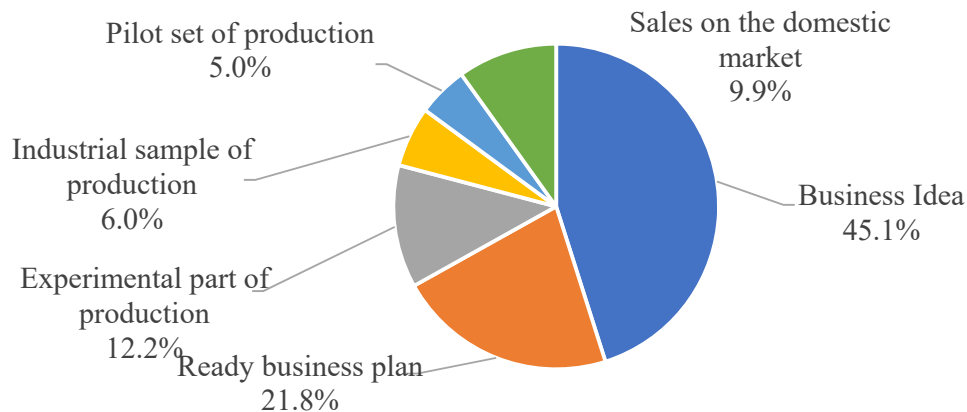
Source: Authors, based on the data provided by the *Foundation for Innovation and Business Incubation* of MGIMO.

4.4. Russian Incubators by Project Stage and Incubatee Age

Figures 3 and 4 present the structure of companies applying to business incubators, depending on the degree of development of their projects and the age of the companies.

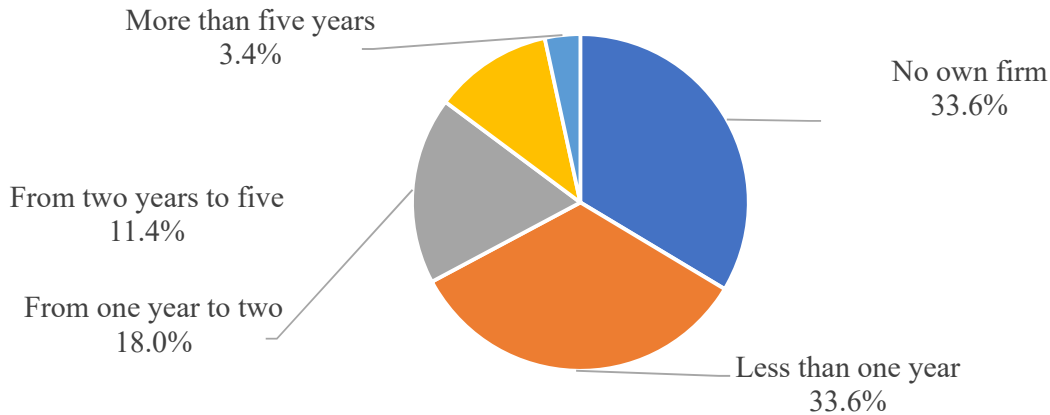
From the results of the survey, there appears to be a perception that, recently, there has been an increase in the proportion of applications received by incubators from more experienced entrepreneurs. However, the distribution of incubatees by project stage remains virtually unchanged. One could perhaps argue that more companies, which are already operating in the market, are turning to business incubators with new ideas and projects, although there is yet no solid evidence for this.

Figure 3: Structure of clients applying to business incubators by project stage, 2018 (in % of the total number)



Source: Authors, based on the data provided by the Foundation for innovation and business incubation of MGIMO (FIBI MGIMO).

Figure 4: Age structure of companies in business incubators (% of total)



Source: Authors, based on the data provided by the Foundation for innovation and business incubation of MGIMO.

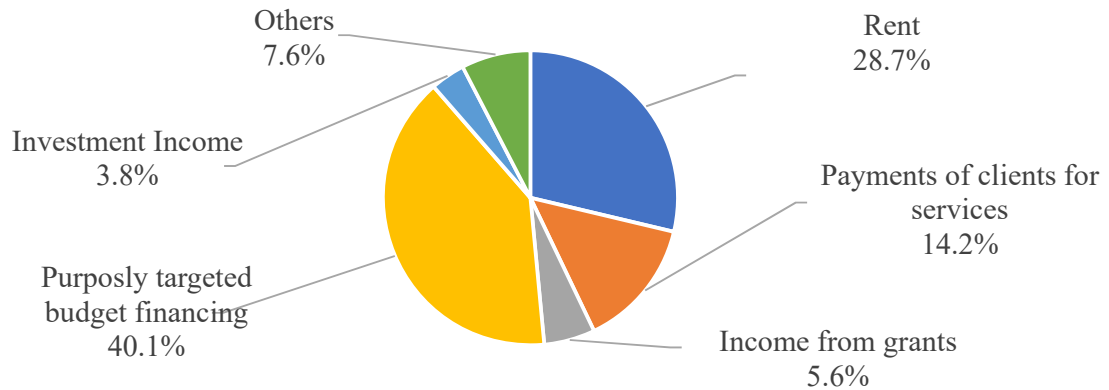
It is also worth noting that all survey participants indicated *provision/leasing* of workspace as the main service they offer business incubatees.

4.5. A Brief Comparison between Russian and International Incubators

To understand how business incubators perform in Russia, it is important to compare them with a few global averages. If we focus on the financial support which Russian BIs can provide to resident companies, it is worth noting that the average annual budget for Russian business incubators is approximately 5 million rubles [FIBI MGIMO], a figure which appears to be significantly lower than the global average [INBIA].

Importantly, the main source of income for Russian incubators appears to be targeted budget financing – as shown in Figure 5. This again seems to be quite different from the average source of income across the rest of the world, where the main source of income tends to come from rental payments from incubatee companies.

Figure 5: Average income structure of Russian business incubators, 2018



Source: Authors, based on the data provided by the Foundation for innovation and business incubation of MGIMO.

Table 4: Average Russian and global business incubators, 2018

Characteristics	Russia	International
Total area, sq. m.	2572	3700
Staff	15	12
Average annual number of residents	18	35
Average annual number of anchor tenants	4	3
Average period of rendering services to residents, months.	24	33
Average number of employees per resident	4-5	4-5
Average occupancy by residents	73%	80%
The average annual budget	80,000 dollars	300,000-60,000 dollars
The main source of income	Targeted budget financing (40.1%)	Rental payments to customers (59%)
Main item of expenditure	Salary (52.9%)	Infrastructure expenditures (38%)

Source: compiled by the authors on the basis of data from InBIA and the Foundation for innovation and business incubation of MGIMO.

On the basis of data obtained from InBIA and the Foundation for Innovation and Business Incubation of MGIMO, it is possible to compare the average Russian and international business incubators on a number of criteria, as shown in Table 4. Considering annual averages, these include: total area of business incubators, number of staff, number of resident incubatees, number of anchor tenants, number of months relating to the rendering of services to residents, number of employees per resident company, occupancy by residents and budget.

4.6. Potential Constraints to Russian Business Incubation

Furthermore, on the basis of interview results carried out to ten different business incubator managers (see Appendix), it is possible to highlight the following constraints for BI development and their potential impact on managerial decisions:

- economic crisis;
- lack of entrepreneurial culture;
- weak innovation ecosystem;
- under-developed venture market (funds, business angels);
- non-availability of credit products for small businesses;
- high barriers to market entry for small businesses;
- inability to attract professional staff to work in BIs due to lack of funding;
- growing number of alternative infrastructures for startups, such as co-working and business centers;
- legislative restrictions on the commercial activities of the BIs (e.g., BIs are forbidden from investing in residents) (Приказ Министерства Экономического Развития, 2015);
- lack of regulatory framework for University BIs;
- lack of budget for the establishment of shared laboratories;
- absence of united information platform on SME support measures;
- absence of a professional association of BIs, which should it exist, could be engaged in the professional training of BIs' staff, facilitate the widespread of relevant experience, and contribute to the lobbying of BI interests on a state scale.

These results emphasise not only the importance of the regulatory pillar as highlighted by Scott (2001, 2008) in shaping the institutional work in which businesses operate, but also how constraints in the regulatory environment then limit, to a significant extent, the role of the business incubator manager as a key player in facilitating learning and making learning empowering and productive among communities of practice as per Wenger (1998)'s situated learning theory.

4.7. Addressing Challenges: Views of Russian Business Incubator Managers

According to the ten business incubator interviewees, the above-mentioned challenges need to be seriously considered within the national, regional and local context of business incubation in Russia and should merit consideration by informing the state SME support policy strategy.

In addition, the managers which were interviewed have also provided the following suggestions to consider when setting up a new business incubator:

1. **Personnel:** to pay more attention to the personnel of BI, particularly with respect to the development of competences, system of motivation, etc.;
2. **Funds:** to consider setting up venture capital funds under the BI or attracting existing external funds;
3. **Partnerships:** to build effective partnerships with Universities, companies and SME support centers;
4. **Further integration with academia:** to integrate incubation programs into the academic programs for university-based BIs;
5. **Specialised BIs:** to develop a specialization of BIs in key strategic areas for future development of the Russian economy and society at large.

As perhaps expected, many of the above-mentioned challenges and suggestions for improvement of the success of business incubation are often not limited to the Russian context; rather, some highlighted points are worth pursuing by a combination of policy development and more efficient support provided by the business incubator manager or management team whichever region we consider around the world.

5. SPECA Countries: the Route to Business Incubation

It is widely agreed that business incubation is a highly complex process, involving the interactions of a whole range of stakeholders: entrepreneurs, state, financial and support institutions, business angels and public bodies with responsibilities to support business incubation. It is also required that adequate framework conditions exist, which are conducive to the creation and expansion of business incubation. Finally, all the BI actors and their interactions form the BI ecosystems.

An important player in the business incubation process is the entrepreneur, the person that generates the idea, pushes it forward all along the bumpy road to the market, a journey along which an idea is hopefully transformed into a new product or service. However, it is impossible for any entrepreneur to make this journey on their own; in the process, collaboration and interaction with many other actors and stakeholders is central in the business incubation ecosystem.

5.1. A UNECE Meeting of SPECA Representatives

In October 2019, some of the representatives from SPECA countries have met to discuss challenges, required support and the underpinning environment for business incubation during a UNECE meeting (21-23 October, 2019, MGIMO University, Moscow, Russia). A summary of the discussion is presented in Table 5.

The majority of respondents were positive about the current environment, alluding to a PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis with its main developments for start-ups and small businesses. In the main, it was highlighted that (at least) some SPECA governments are taking regulatory steps to support business incubation with adequate legislation and that the current economic environment is favourable towards SMEs. However, when asked to comment on a specific programme of support for the development of business incubators in their specific country, only Kazakhstan and Uzbekistan were positive about it, whilst the rest of the countries emphasized the absence of such programmes.

Table 5: SPECA and Belorussia challenges relating the Business Incubation Process

	Current environment	Restrictions/support	Is there any BI support program?	What kind of support is needed?	Problems faced
Azerbaijan	The legislation provides tax benefits for start-ups, and 80% of the cost of marketing research is also reimbursed. Local SME support entities promote business at all stages.	The state offers various advisory service, helps in finding buildings and spaces for business-incubators. There is also an Entrepreneurship Support Fund and an innovation Agency that provide financial assistance.	Unfortunately, there is no such program.	The state encourages all initiatives of organizations interested in creating business incubators.	Particularly low involvement, both from the point of view of private investors as well as start-ups. Banks are also reluctant to provide funding.
Kazakhstan	The current environment is as propitious as possible. The authorities and the business community are trying to create a suitable environment for interaction and development of the ecosystem.	The state co-finances the operational activities of private business incubators half-and-half up to \$ 90,000 and incubator projects 80/20 up to \$ 130,000.	Yes. The state co-finances the operational activities of private business incubators half-and-half up to \$ 90,000 and incubator projects 80/20 up to \$ 130,000.	Support is needed in recruiting and sponsoring foreign specialists, operating managers of business incubators, in order to adopt the experience of successful incubators.	First of all, the passive pipeline of projects along with the high expectations of business angels hindered the development of the business incubator.
Belorussia	The current environment is relatively friendly.	There are no restrictions, but the state provides support mainly to business incubators in technoparks.	No	Support is needed in terms of propagation the innovation ecosystem requires promotion among the population. It is also necessary to develop a legal system on venture capital financing.	Our main struggle was to understand the incubation model.
Tajikistan	A special program has been formulated, the implementation of which will urge the development of small enterprises	At the end of this year as well as in the year to come, with the support of the local authorities business incubators plan to hold a number of interesting events.	The main problem was a lack of finance.
Uzbekistan	The environment is very «artificial».	There are some attempts, but they are very unprofessional. Lack of personnel who understand the specifics of this sector.	Yes	To attract professionals, business angels, businessmen of the highest level	Misunderstanding the main concept of a business incubator by the officials, who influence the establishment of business incubators and interfere in the process. It is necessary to conduct a mass educational program highlighting the rules and principles of doing business.
Kyrgyzstan	The current economic environment in the country is considered favorable for SMEs. But only at a certain level.	The idea of business incubation is new in the country, as well as the government support. Laws on innovation are in the development, state programs in technologies and innovations for a certain number of years are announced.	No	Then the government helps new businesses with preferential tax arrangements.	Standard obstacles inherent by the post-Soviet countries, such as bureaucracy and lack of ambition to introduce changes and innovations.

Source: Interviews on October 21, 2019 conducted by authors.

Answering the question what could government do to enhance the impact of their specific business incubators, the interviewees stressed the importance to have qualified human resources as well as preferential tax arrangements. Discussing the constraints which they faced when they were setting up their business incubators, the representatives highlighted the particularly low involvement from both private investors and start-ups, the reluctance of banks to provide funding and general lack of finance, the high expectations of business angels, the often misunderstanding of the business incubation concept, the extent of bureaucracy which can create unnecessary impediments for business incubation to thrive and, in some case, the limited perceived will to introduce changes.

In principle, the business incubation process should be embedded within the notion of seeking sustainable development. This certainly necessitates the harmonization of Scott's three institutional pillars: regulative, normative and cultural-cognitive. However, this is only possible, if there are united efforts by SPECA governments and the international community in this direction.

It is certainly expected that governments set clear agendas to foster the creation of ecosystems around business incubation – in order to do so, not only policy making needs to underpin this move but a larger pool of resources needs to be made available. Moreover, given the novelty surrounding business incubation for SPECA countries, this poses a great opportunity to these countries: lessons can be learnt from other existing ecosystems, what has worked well and what failed to deliver the intended outcomes and, as a result, seek novel, innovative approaches in enabling the formation of a new class of entrepreneurs and, simultaneously, business incubator teams that can help address the challenges associated with business incubation in a coherent and coordinated manner.

While the role of business incubation in contributing to the advancement of sustainable business development in SPECA countries is undisputable, the crucial and fundamental question is how to make this happen in reality? Through the interviews, discussions and the lessons from the Russian experience, it is clear that the SPECA governments will require further policy making focus to facilitate the emergence of successful business incubators and their incubatee companies. In addition, there needs to be a mobilization of all key stakeholders towards business incubation common goals. Such policy focus could encourage the generation of innovative business ideas, a flow of finance and investments into BIs and spearhead BI development in SPECA countries.

5.2. Guidelines for a Business Incubation Agenda in SPECA

On the basis of our investigation into business incubation, as well as the results of our interviews with business incubator managers in Russia and the challenges the business incubation representatives from the SPECA countries shared, we herewith propose a few guidelines to consider when developing a business incubation-based policy agenda for each of the SPECA countries, namely:

1. To widen and deepen the role of business incubation within business and start-ups development policies in the SPECA policy agenda. This should also include the creation of supporting framework conditions for new entrepreneurs;
2. To align business incubation policies with the country's business support policies and promote policy-based sustainable development;
3. To prioritize business incubation development, by stimulating both R&D and facilitating the transformation of innovative solutions into marketable products and services;
4. To develop key strategic R&D programmes and well-defined action plans to seek the accomplishment of business incubation undertakings which are identified as high national priority;
5. To create a supportive environment which is conducive to business entrepreneurs in the SPECA countries venturing into innovative sustainable development;
6. To introduce and/or amend legislation and regulations and improve quality of monitoring and enforcement;
7. To reduce bureaucratic burden which may jeopardise business incubation performance and streamline administrative procedures;
8. To increase policy transparency and reduce economic uncertainty to enable a conducive environment to business incubation.

6. In Conclusion

It is evident that business incubation in the SPECA countries is still underdeveloped and suffers from weak institutional frameworks as well as poor linkages among BIs stakeholders. SPECA policy makers are required to design and implement measures specifically targeting the strengthening of business incubation systems, with a special emphasis

on those systems that can facilitate the creation of projects in areas supporting sustainable development.

One very specific type of state policy interventions is a provision of better access to finance by entrepreneurs from unprivileged societal groups (e.g. young people) which tend to be discriminated by financial institutions on certain market criteria. The SPECA governments need to include a set of non-financial measures (such as training in economic and financial literacy as well as management and entrepreneurship, provision of business services, technical assistance, coaching, etc.) as well as a financing component in the form of credit guarantees.

SPECA countries are in need to promote ways to spearhead technological and developmental catch-up. However, these countries suffer from limited specific capabilities among local innovation stakeholders. One of the challenges relates to the ability to apply the new knowledge and know-how, which is much needed to be able to innovate and to market new products and services. Unfortunately, this is not possible without investing in local human capital, so that the national and regional economies are able to adapt and apply existing technologies.

It is understood that many SPECA countries are not very strongly connected to global value chains and international production networks – this can, once again, present a challenge to supporting business incubation, as many of the business incubation ecosystems rely on international technology transfer.

In order to enable the establishment of effective and sustainable business incubators, a business incubation-oriented environment must be underpinned by an institutional policy that promotes innovations, nurtures entrepreneurial culture and cultivates venture creation; that provides the vehicles for technology commercialization and fosters entrepreneurship within the country; that facilitates the availability of venture funding through private and public sector institutions and furthers networking platforms for entrepreneurs. Many governments have used incubation as “part of a range of objectives to bring about change. Evidence suggests that achieving objectives is only likely to happen if business incubation is part of a wider transformation program” (World Bank infoDev project, 2010:9).

The established incubators in SPECA countries also have an important role to play in promoting innovations and R&D, which ultimately can boost productivity and affect economic development. In other words, a business incubator’s main goal should be to produce successful firms that will graduate financially healthy and sustainable.

Governments can make resources (training, finance, contacts, capital, etc.) available to support entrepreneurial activities, which otherwise may prove to be unaffordable, inaccessible, or unknown to those willing to start a business. From the governments' perspective, the development of strong entrepreneurship in the country is crucial for job creation as well as for economic development, tackling poverty and inequality (Kumar and Liu, 2005). As the Russian incubator interviewees stressed, governments need to reduce some of the constraints faced by entrepreneurs, particularly reducing red tape if they are to have a positive impact on the overall performance of both incubators and new firms.

As stated in this report, government support policies specifically dealing with business incubation in SPECA countries are required, particularly as emerging markets face a number of impediments that are difficult to overcome without help from the government. Only by supporting developments in the country's entrepreneurial ecosystem through enactment of friendly policy guidelines will the incubators have a chance at becoming a successful vehicle for fostering entrepreneurial activity. In addition, it is important that business incubators are perceived as an integral part of a broader innovation and economic development programme that strengthens innovation and furthers growth and economic sustainability (Khalil and Olafsen, 2010).

Overall, there is the potential (and clearly the will) for business incubators to become a powerful engine for growth in SPECA countries, however, if such potential is to be realised, governments, business incubators and entrepreneurs should work together to overcome the challenges and embrace the many opportunities that lie ahead.

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Web sites:

International Business Innovation Association. <http://inbia.org>

Appendix: Data from interviews with ten Russian business incubator managers

Q1: How was this business incubator established?

Altai Business Incubator

In 2006 the Governor of the Altai region, Alexander Karlin, decided to create a regional business incubator. We chose a building used by a non-profit organization - the Fund for support of entrepreneurship of the Altai region. The Altai region took part in the contest held by the Ministry of Energy of Russia and received a subsidy for the creation of a business incubator. At the expense of the Federal budget we renovated 2 floors of the building in the historical downtown of Barnaul and completed the 3rd floor as well. We had to repair part of the premises at the expense of a banking organization (VTB Bank) and at the expense of these funds the front office of the bank was located there for several years, which provided banking services, both to citizens and to residents of the business incubator.

Higher School of Economy Business Incubator

The HSE business incubator was launched in 2006 as an initiative of a Professor and several University students. Sometime later a University subdivision was created, at first in the format of a educational science laboratory which was later transformed into a project-educational laboratory. In 2015, the incubator launched its first acceleration programs and since then has moved from an incubation model to an acceleration model as a priority model for working with startups.

Biyskiy Business incubator

The Biyskiy Business incubator was established within the framework of the Governor's «75x75» program – 75 socially significant infrastructural facilities in honor of the seventy-fifth anniversary of the Altai Krai. The second business incubator in the region was established in August 2011.

ITC MATI

MATI Innovation Technology Center was established in 1998 within the framework of the innovative development program of the educational structure. The infrastructural platform was established as a separate legal entity for the introduction of promising innovative technologies and commercialization of intellectual property of the University. Students, postgraduates, young scientists and their mentors were involved in the projects.

Institute of Economics and management Business Incubator (Pyatigorsk)

In 2013 the founder of Institute of Economics and management" in Pyatigorsk, doctor of Economics, Professor Vasagov Victor Misostovich, decided to start the construction of a business incubator. From the moment the foundation of the building was laid it was decided to construct the business incubator using innovative technologies, namely a Canadian technology with heat and energy-saving technologies. The business incubator was founded in 2014 - it is 1300 square meters. Such a business incubator was simply essential for the stability of this private educational institution and the competitiveness of its graduates. Frequent appeals of students about their business ideas also prompted the concept of creating a business incubator. It is important to point out that our business incubator was established owing to strategy development consulting in MGIMO.

MGIMO Business Incubator

Established back in 2007, our incubator have become on of the very first student-oriented business incubators in Russia and CIS countries. It was founded with great support from MGIMO management and alumni as a structural division dedicated to development of student startup projects and fostering entrepreneurship activities inside MGIMO.

Business Incubator of the Saratov region

The business incubator was founded in September 2007. Legal form State unitary enterprise the. Total area of premises designed to accommodate small businesses is 1401.6 m². Simplified tax system (income minus expenses). The Main sources of financing for the "Business incubator of the Saratov region" are subsidies from the region's budget and income from commercial activities of the enterprise. The regional business incubator provides services to SMEs on a gratuitous, preferential and paid basis. Our non-repayable services are: advisory support on accounting, tax, legal protection, enterprise development (including market research assistance, staff recruitment, software), enterprise document workflow, HR administration, training and education programs of the state support of business, mail and secretarial services, maintenance, access to information databases, software and hardware systems, updating the information and legal database, administrative and economic services, providing facilities for events (meeting rooms and conference rooms with multimedia equipment), short-term training programs, seminars, workshops, round tables and forums, assistance in organizing business events, finding business partners in other regions of the Russian Federation and foreign countries. All of the above services are provided to residents of the business incubator by highly professional specialists. In the business incubator on a regular basis there is also a project called "Hot line for business", where any entrepreneur or individual can apply for free advisory support on law, accounting, taxation, raising state support funds, business development, etc. Offices and industrial premises are provided to small businesses at preferential rental rates, meaning we charge a percentage of the market value of lease payments, determined on the basis of the report of an independent appraiser: 20% – first year of lease, 40% – second year of lease, 60% – the third year of lease. On February 20, 2014, the Regional business

incubator received a License to carry out educational activities. Over 250 specialists from all districts of the Saratov region received training on advanced training programs for customers, authorized bodies, contract managers, members of procurement commissions at “Contract system in the field of procurement of goods, works and services for state and municipal needs”. On a paid basis, third-party entrepreneurs can rent meeting rooms (800 rubles / hour) and a conference room (1500 rubles/hour). Also, in accordance with the price list of paid services, the specialists of the business incubator provide development and adjustment services for business plans, feasibility studies, the formation of documents for applying for state support, marketing research, drafting and legal analysis of contracts, etc.

Togliatti Business Incubator

Established in 2009. Managed by Municipal Autonomous Institution of the Togliatti City District “Agency for Economic Development” Simplified taxation system. Financing comes mostly from subsidies and commercial activities. The total area occupied by business incubator residents and shared facilities equals 6039.7 square m. That is enough to fit 50 resident companies (282 jobs). Services: (1) Rent: offices, lecture hall, computer room, meeting room, conference room. (2) Training: Course "Fundamentals of Entrepreneurship", Seminars to improve the effectiveness of acquired skills, legislation, business modifications, marketing, advertising, accounting, etc. (3) Consultations: Opportunities for obtaining municipal and state support, accounting, taxation, choice of legal structure, etc. Legal advice, conclusion of an agreement, preparation of documents for registration of legal entities. (4) Accountant services: registration of a legal entity, accounting statements, payroll, settlements with suppliers and customers, etc. (5) Legal Advice for entrepreneurs. (6) Business planning: Market analysis, marketing research, financial planning, consulting. (7) Communication support: regulation issues, entrepreneurship support programs, support infrastructure development, support in managing administrative and legal issues of residents.

Student business incubator "Oreh" of NEFU Arctic innovation center

Student business incubator "Oreh" (hereinafter SBI "Oreh") was founded in 2012 on the basis of the Arctic innovation center of NEFU as part of the Innovative infrastructure development program of NEFU in order to develop the human resource potential of innovative entrepreneurship of the Republic of Sakha (Yakutia). This is the first student business incubator in Yakutia. In the second half of 2014, a new round of business incubator development was launched. Our main task is to turn SBI "Oreh" into an even more accessible and friendly environment for students. To this end, the following activities were carried out: at the beginning of 2015, there was a rebranding campaign of SBI under the label "Oreh" (russian for «nut») like the nuts inside the cedar cone symbolizing the residents of the incubator, which mature and subsequently become independent enterprises. (1) The establishment of a coworking center on the 4th floor of the AIC with free Wi-Fi. (2) We opened branch offices of SBI in affiliates of NEFU of M. K. Ammosov in the town of Mirny and Otkemtsy. (3) In July 2015, Oreh ventures, the

first student venture company in Russia, was established in AIC, which has no analogues in the whole country. The company was created to implement student projects, with the participation of students themselves, financing the best innovative and economically attractive projects. The company attracted 1 million rubles of investments from JSC " «Yakutia» Venture company". In the future, we plan to cooperate with major Russian venture funds, including SKOLKOVO, as well as foreign venture companies. The premises available for rent is 180 m² per resident. The student business incubator "Oreh" has no form of taxation, as we are a structural subdivision of the NEFU AIC. Financing of the Business incubator is carried out at the expense of NEFU and at the expense of other sources of financing in accordance with the NEFU Charter.

Business incubator of Strogino technopark

The business incubator of Strogino technopark was established in 2007. It was created by the government of Moscow with the support of the Russian Ministry of economic development. During its activity over 250 projects passed the business incubation program. Among them are such successful projects as VisionLabs, Profi.ru, Lingualeo, CDVideo, 101 XP.

Q2: What are your key aims and priorities (for the manager/incubator)?

Altai Business Incubator

Our prior aim is to reach self-sufficiency. We also need to bring our residents to foreign markets and partner with foreign business incubators. Increasing cooperation with MGIMO business incubator and Fund for innovations and business incubation is also one of our lines of development.

Higher School of Economy Business Incubator

The incubator's mission is to increase the number of people involved in entrepreneurship. The strategic goal is to become the most famous University incubator and release at least 2000 startups by 2022.

Biyskiy Business incubator

Biysk business incubator is a platform for the development of new, innovative business. Thus, the main goal of the organization is to create conditions that would stimulate the development of small business in Biysk and Altai Krai. As for the value of the organization, it is to support entrepreneurs as well as to bring positive changes to the surroundings. My role as the Manager of the business incubator is to unite the team to effectively achieve the overall goals of the organization and bring it to a higher level of development.

ITC MATI

The strategic goal of ITC MATI is to promote innovative entrepreneurship, support the implementation and promotion of innovative technological projects for start-UPS, as well as commercialization of technological developments of the University.

Institute of Economics and management Business Incubator (Pyatigorsk)

The goals that we had in the beginning for today are significantly advanced taking into account the popularization of Worldskills and the need to expand expertise for the average professional contingent. Today we have also launched a 3D modeling center. In Stavropol they set a task of passing a demo competence Worldskills exam. This exam is a major problem for business incubators. We decided to create a Worldskills platform in Economics and banking in our business incubator. The estimate for such a location is over 1 million rubles, which is not a problem. The problem however is that private educational institutions and cannot host Worldskills exams.

MGIMO Business Incubator

The key aim is to give any interested students the knowledge and ability to understand how business is done in real market environment and prevent them from making obvious mistakes. Priority is to accept

as many students as possible so that most of them get the practical oriented education which is lacking during their main study course.

Business Incubator of the Saratov region

The Business incubator's main strategic goals are to attract the most promising projects of start-up entrepreneurs, improve incubation processes for the successful implementation of residents' business ideas, to assist in achieving the indicators stated in their business plans, to provide SMEs in the region with advisory support in terms of opening and developing businesses, as well as participating in state business support programs, active interaction with public organizations of entrepreneurs and regional authorities.

Togliatti Business Incubator

Accelerating the creation of new small enterprises, increasing their sustainability and competitiveness; facilitating access to various kinds of resources; fostering innovative activity; creation of new industries in order to create new jobs; formation of professional business standards among small business entrepreneurs; dissemination of best domestic and foreign experience; support and ensure the survival of newly established and early-stage small businesses through the provision of non-residential premises on preferential terms, as well as through the provision of a range of related business services for collective use, services for the reception of visitors and business advisory services.

Student business incubator "Oreh" of NEFU Arctic innovation center

Student Business incubator "Oreh" aims to help students find their way in the labor market, improve their quality of education and competitiveness in future professional activities, train and prepare them for highly demanded and socially significant innovative projects.

Business incubator of Strogino technopark

Creating conditions for the development of technological startups, improving the efficiency of projects, supporting innovative young companies, contributing to the success and survival of projects, creating new jobs, introducing new technologies, increasing entrepreneurial activity in the region. Efficient performance of the incubator as an enterprise.

Q3: What kind of impediments did you (the manager/the incubator) face in establishing this business incubator?

Altai Business Incubator

There were difficulties with finding a suitable space because the existing facility stands in the center of the business life of the city to facilitate communications. We also faced many difficulties during the initial recruitment of residents, because it was at that time a completely new and unfamiliar state service of property support for beginning entrepreneurs.

Higher School of Economy Business Incubator

(No answer)

Biyskiy Business incubator

There were mainly no difficulties. At all levels of government, the idea of creating an innovative business incubator in Biysk Science City was initially supported.

ITC MATI

ITC MATI was created long before I became its manager. Nevertheless, there were enough difficulties at the stage of development. The main challenges we faced, besides the standard lack of funding, were lack of qualified workforce in Economics and marketing, as well as no access to high-tech equipment for manufacturing functional prototypes or testing developed technologies.

Institute of Economics and management Business Incubator (Pyatigorsk)

In the second question there is a small example of how public-private partnership works! Maybe it's only in the region?!

MGIMO Business Incubator

It was difficult to decide what legal status would such a structure have and what benefits there were in each case. As a first student business incubator we did not understand the specifics of this sphere and there were no good examples for us to look at and to study from.

Business Incubator of the Saratov region

Lack of professional staff (mentors, financiers); Lack of entrepreneurial culture; Restrictions on commercial activities; Underdeveloped culture of venture capital investment.

Togliatti Business Incubator

Lack of experience and external expertise. Lack of professional staff.

Student business incubator "Oreh" of NEFU Arctic innovation center

Lack of experience with student projects and the instability of the status of BI in Universities.

Business incubator of Strogino technopark

Search for quality projects. Search for investors. Low information activity in the business community.

It was necessary to actively involve the authorities in the popularization of technological entrepreneurship.

Q4: What were the enabling factors?

Altai Business Incubator

Active teamwork, personal business connections of the BI management and the ability to build communication. Active media promotion. State status of the organization. The existence of several adjacent infrastructural facilities in one place (a regional export center, a legal support center, a Center of innovative creativity, a Financial Literacy Center, a microloan Fund, a guarantee Fund) and effective collaboration between them.

Higher School of Economy Business Incubator

(No answer)

Biyskiy Business incubator

The activity of the Business incubator is aimed at close collaboration with the local Administration in terms of improving the socio-economic situation in the region. Thus, Biysk business incubator is one of the key elements – the leading programmer of Science City's development strategy, the mechanism of implementation of the Administration's policy of business and city development. Hence comes the closest relationship between the BBI and the local Administration. This is due to the fact that when developing proposals for the General policy of the city in terms of business development, the BBI accumulates the proposals of a wide range of enterprises, organizations, entrepreneurs and individuals, as well as data on the current conditions.

ITC MATI

The development of ITC MATI was facilitated by the formation of a professional "interests club" where the heads of such innovative centers and other interested parties exchanged experiences, support and assistance.

Institute of Economics and management Business Incubator (Pyatigorsk)

Already in 2014, we set a task for a team of professors to become an innovation center. It is not surprising that today the universities are entrusted with such difficult objectives. It is a significant problem that the University's management sector remains very closed.

MGIMO Business Incubator

MGIMO has a wide alumni network which many fields of business which makes it possible to find mentors, industrial experts and venture investors for our projects who are willing to help. MGIMO is a big brand which also helps to promote student startups within the business environment.

Business Incubator of the Saratov region

First of all, a serious resource base helps facilitate the existence of our BI, for example: (1) Internal resources: offices from 8.6 to 55 square meters with furniture and office equipment and all the necessary types of communication devices and instruments (telephone, Internet), equipped with the latest fire and security alarm systems; production facilities from 474 to 61.3 square meters with all necessary communication systems; multiple access equipment - fax, copier, color printer, scanner; a meeting room and a conference room with multimedia equipment; a team of professionals to support incubation processes. (2) External resources: various events, such as round tables, forums, conferences, presentations, with the involvement of relevant committees, departments, authorities of Saratov and Saratov region, partners of the business incubator, public organizations of entrepreneurs, Universities, as well as infrastructural organizations of SME state support in the region.

Togliatti Business Incubator

Access to the following resources: (1) Internal. (a) Material resources: Offices; 228 equipped workplaces (furniture, computer, office equipment, Internet); Conference room, conference room, lecture hall, computer room. (b) Human resource: the staff of the business incubator is 34 people; (c) Financial resources: entrepreneurial income. (2) External. (a) Financial: Every year, the Business incubator is granted external financial resources – subsidies for the implementation of the municipal task in accordance with the program. (b) Cooperation with other companies within the framework of the infrastructure to support small and medium enterprises of the Samara region: Samara regional microfinance Fund; Guarantee Fund of the Samara region; Innovation Fund of the Samara region; Municipal Fund "Business guarantor"; Regional venture Fund of the Samara region; Communication, consulting and engineering companies: Information and consulting Agency of the Samara region, The regional center for entrepreneurship development in the Samara region, the Regional center for innovation and technology transfer, the center for innovative development and cluster initiatives of the Samara region, etc.

Student business incubator "Oreh" of NEFU Arctic innovation center

The following resources contributed to its creation: (1) Internal resources. Premises and office equipment leasing to support the activities of residents of the Business incubator under a transfer liability contract. (2) External resources. Investments, participation in various funds, programs such as "Fund for assistance in development of small forms of enterprises in the scientific and technical environment", "Web&Tech Ready", we cooperate with the far Eastern representative office of «SKOLKOVO». In June 2015, the NEFU Arctic innovation center became a regional partner of the Federal accelerator of technological start-UPS GenerationS, during which the best projects selected by the results of multi-stage expertise receive intensive development and broad opportunities to attract investment. Successful development is also facilitated by the use of the following technologies: (1)

Assistance in drafting applications for participation in the Business incubator's business projects competition. (2) Organization of retraining and advanced training courses; (3) Organization of consultation locations; (4) Access to information databases and to the Internet. Data events; (5) Providing priority support for innovative scientific and technical business projects. Conclusion of cooperation agreements, agreements of intent; (6) We support communication of our residents with relevant organizations. We provide consumers with information about the quality of products; (7) Organization of publications in the mass media about the quality of products involving competent expert commissions; (8) Creation of conditions for independent assessment of products. Organizing marketing research to promote products and services on the market; (9) Collection of commercial information and forecasting. Creation of information websites; (10) Conducting sociological surveys to analyze the market. (11) Support of communication with entrepreneurs who have successfully completed training in the Business incubator and implemented their projects; (12) Inviting entrepreneurs who have successfully completed training in the Business incubator as lecturers for current Residents of the Business incubator; (13) Cooperation with companies that have successfully implemented their projects and organization of experience exchange sessions between them and new startups; (14) Preparation of analytical reports on the psychological portrait of the company's employees with specific recommendations; (15) Premises and office equipment to support activities; (16) Prototyping and coworking center services based on Fablab prototyping center and coworking center.

Business incubator of Strogino technopark

Beneficial rental rate, involvement of consultants, a strong technopark team, support of the Moscow Government. Development of import-substituting companies. Mentoring support of residents of the business incubator. Valuation and assessment of projects at Expert Councils. Agreements with development institutions, cooperation with Universities (MGIMO, MSU, etc.), as well as international partnerships. The business incubator operates as part of the Technopark, which is one of the main positive factors that allows us to actively develop the BI itself as well as its residents through collaboration with larger companies.

Q5: What were/are the constraining forces?

Altai Business Incubator

The status of a budgetary institution and limited opportunities to earn/raise money from extra-budgetary sources. Legal risks for the Director when working with budgetary funds and subsidies, acquisition procedures, time restrictions on their development.

Higher School of Economy Business Incubator

The macroeconomic situation, the immaturity of the venture capital market in Russia.

Biyskiy Business incubator

The activity of the Biysk business incubator is closely related to the socio-economic processes taking place in the Altai Krai and in Russia. The slowdown of the Russian economy, growing uncertainty in global markets, geopolitical tension, all have a significant impact on business activity and investments, which consequently affects the activity of the Biysk business-incubator. Taking into account these trends, the Biysk business-incubator has adjusted its activities and is ready to meet new challenges.

ITC MATI

The main limiting factor is the absence at the state level of a general system of "rules of operation" and standards of innovative infrastructures, as well as unavailability of a single coordination center and the uneven distribution of centers for collective use of high-tech and laboratory equipment throughout the territory of the Russian Federation. Imperfection of legislation in the sphere of state-owned companies with innovative projects and organizations also restrains development.

Institute of Economics and management Business Incubator (Pyatigorsk)

Presently there are insignificant constraints in terms of staff difficulties particularly in the technical speciality. It is difficult to shift to the technological area of development.

MGIMO Business Incubator

General macroeconomical situation, lack of entrepreneurial culture, small amount of product-oriented startups, poor venture capital availability (and we do not have our own venture fund which can be also seen as a constraining force for development).

Business Incubator of the Saratov region

The development is mostly constrained by all the same factors as in during the creation of BI. However, the competitive environment has intensified as coworking places, online incubators, open accelerators of large companies emerge.

Togliatti Business Incubator

Lack of developed business environment. Lack of funding to attract professional staff.

Student business incubator "Oreh" of NEFU Arctic innovation center

Complexity in commercialization of technologies. High entry barriers for innovative products. Lack of entrepreneurial culture in general.

Business incubator of Strogino technopark

The project is aimed at supporting entrepreneurship, which means favorable rental rates, which in turn reduces the economic efficiency of the business incubator. A poor legal and regulatory legislative basis does not allow to efficiently build the investment policy of the business incubator. Lack of direct horizontal links between development institutions.

Q6: What are the main factors that influence management decision making?

Altai Business Incubator

Legal risks of the Director when working with budgetary funds and subsidies, procurement procedures time restrictions on their development. The need to coordinate (formally and informally) any activity with the supervising regional Ministry, which is often somebody who does not quite understand the specifics of business incubation.

Higher School of Economy Business Incubator

The contradiction between the mission of the incubator and the University's development strategy.

Biyskiy Business incubator

As the head of the Biyskiy business incubator, developing mutually beneficial cooperation with partners, strengthening integration into the Russian business community and expanding the scope of activities of the organization, my main priority is to improve the efficiency of the BBI to the level of advanced business incubators in Russia, ensuring the organization's long-term competitiveness and sustainable development. Thus, according to its mission, the Biyskiy business incubator is the basis of infrastructure support for small and medium-sized businesses of Science City, a socially responsible partner existing for the long-term interests and welfare of Science City.

ITC MATI

The key factor influencing decision-making is resource constraints.

Institute of Economics and management Business Incubator (Pyatigorsk)

Everything is so unpredictable and interesting at the same time.

MGIMO Business Incubator

General MGIMO strategy, lack of financial resources, lack of staff.

Business Incubator of the Saratov region

(1) Regional goals and directions of development; (2) Budgeting; (3) Human resources; (4) Specifics of entrepreneurial activity.

Togliatti Business Incubator

Objectives of the administration of the region. Legislative restrictions.

Student business incubator "Oreh" of NEFU Arctic innovation center

Strategic goals of the University, Financing.

Business incubator of Strogino technopark

Regional policy in the field of entrepreneurship and industrial development. The expert community of business incubators.

Q7: With hindsight, what would you do differently?

Altai Business Incubator

I immediately would have suggested to the Russian Ministry of Energy to create a professional Association giving the community the power of self-organization.

Higher School of Economy Business Incubator

I would have started to involve the University's entrepreneurs-graduates in our activity. I would have also formed an endowment Fund of the business incubator.

Biyskiy Business incubator

First of all, I would have reconsidered the project management systems that increase staff motivation and project efficiency, would have strived to develop a unified information environment more quickly. I would have also promoted the integration of corporate culture.

ITC MATI

I would have developed commercial services of our business incubator more actively.

Institute of Economics and management Business Incubator (Pyatigorsk)

We do not have enough space (1300 square meters) and at the same time we have not earned enough to build new work zones...

MGIMO Business Incubator

From the very beginning we would establish incubator as an official MGIMO structure (once it used to be independent). Also, we would implement the now existing admission system (twice a year - in spring and in autumn) because it makes the whole preprocess more efficient and well structured. Moreover, it would be a good idea to implement business incubation program in an existing educational program (e.g., master's degree program) what we actually do now

Business Incubator of the Saratov region

Perhaps BI focused on strategically important areas (IT, medicine, AI, green tech, etc.)

Togliatti Business Incubator

Search for partnerships with corporations and universities.

Student business incubator "Oreh" of NEFU Arctic innovation center

Nothing.

Business incubator of Strogino technopark

I would have used the opportunities provided by development institutions and chances of international cooperation more wisely and actively. I would have thoroughly analyzed and implement the mechanism of our business incubator's equity participation in residents' startups. I would have suggested to establish an effective mechanism of cooperation between the community of business incubators and development institutions and other business supporting infrastructural organizations.

Q8: What kind of good practices can you share?

Altai Business Incubator

I would recommend them to actively promote the brand of the organization and the personal brand of the Director (media, events, activities with SMEs and partners, etc.). Trust and recognition help to form a funnel of better applicants and this in turn improves the image of the business incubator in the eyes of the public and stake holders. Distinguish a separate block of business processes aimed at supporting and assisting residents in project management.

Higher School of Economy Business Incubator

A very tough question. Probably, about the principles of selecting residents and building a financial model of the incubator.

Biyskiy Business incubator

In order to develop entrepreneurship young business incubators need to develop educational and acceleration programs for their residents and bring them to a high standard. First of all, it will contribute to the promotion of entrepreneurship. We have seen from our own experience that such programs need to be implemented starting from schools. This is actively being done, judging by the victory at the regional phase of the "Trajectory" award - a competition of the best practices of professional self-determination of youth.

ITC MATI

Building cooperation and partnership with technological and humanitarian universities, as well as other business incubators.

Institute of Economics and management Business Incubator (Pyatigorsk)

Speaking about a private business incubator, of course one should have a core business that in the first years will maintain the business incubator.

MGIMO Business Incubator

Mutual short-term educational programs executed in cooperation with major foreign universities like MGIMO Henley Business Tour (together with Henley Business School, Great Britain); mutual startup development program with technical universities which implies creation of mixed student teams (inventors from tech universities and marketers from MGIMO); admission system which proves to be quite efficient; the course schedule and overall business incubation program structure.

Business Incubator of the Saratov region

In the activities of the Regional business incubator, there are 3 fundamental stages, each of which requires the use of separate technologies and tools: search and selection of projects; growing small companies; exit of small companies from the incubator. At the first stage, we organized an ongoing process of project search and selection, which implies the systematic work with potential residents of the incubator. In this case, the search is carried out by: (1) participation in thematic conferences and exhibitions; (2) placement of information on our website as well as websites of partner organizations; (3) participation in the activities of partner organizations; (4) presentations of BI program in places with target audience, including higher education institutions, research institutes, large enterprises, banks; (5) media advertising. All received applications are processed by managers and entered into the database of potential residents. At the second stage, project managers study the quality of the residents' business plans in terms of marketing and financial strategies, human resources, etc. Further, the project Manager together with the owner of the company develops a short-term plan (for 6-8 months), which is revised following the results of the specified period. The main objectives of this stage are: the formation of personnel policy, search for sources of financing, organization of production processes of the company, formation of marketing strategy. The implementation of these tasks is carried out on the basis of work plans, where the global stages are divided into smaller ones and deadlines for achieving each of them are set. Every month the company submits a report in the prescribed form, thanks to which it is possible to monitor the dynamics of its development and make adjustments to the existing strategy. At the third stage, when the company leaves the business incubator, with the help of project managers, a business plan for the next 3-5 years is developed with a detailed study of the marketing and operational component (sales plan). During this period, the incubator management monitors the development of the company outside the incubator. Since 2011, the Business Incubator operates a "Hotline for business", enabling entrepreneurs and individuals get free advice on legal protection, accounting, personnel records management, etc. On the basis of the Saratov State University Business Incubator a Department of business organization was opened, tours and master classes on starting a business are organized, students also undergo industrial and pre-graduate practice at the enterprises-residents of the incubator.

Togliatti Business Incubator

The management of The business incubator offers clients a variety of free training activities. Qualified trainers and specialists help entrepreneurs look for hidden opportunities within the company and develop skills. Our employees train clients to make independent decisions, to bring things to a logical conclusion and to apply horizontal management methods. For 5 years, the Togliatti Business incubator has provided support to 68 companies, including young promising projects covering various fields of activity, which over the past year have achieved considerable results, both in financial terms and in terms of promoting their projects in the Russian and international markets. The business incubator contributed to the support of business activities and development of resident companies. Several companies received additional funding – grants and subsidies from the mayor's office, attracted private

investments, took part in acceleration programs. For example, an innovative grant from the city hall of Togliatti for reimbursement of actually spent funds was received by the company "Soft-design". The funds were spent on the purchase of new office equipment and licensed software, which allowed to increase the productivity of the company by reducing the timing of tasks. Also, this support allowed to create 7 new jobs in the company. In addition, Soft-design attracted private investments for the development of the company's activities. In addition to attracting Finance to the company, the Business incubator successfully promoted its residents in the Russian and international markets, participating in forums, exhibitions, conferences and networking events. The opportunity to participate in local and regional support programs, as well as the use of the partner network of the Togliatti business incubator allowed new residents to attract additional investments and participate in acceleration programs. The specialists of the business incubator held major conferences, forums and exhibitions, such as: Startupmania conference, foresight session "Small business in Togliatti", "Business Breakthrough" conference, "Development of Innovative Business" conference, etc. More than 370 companies and individual entrepreneurs of the city took part in the exhibitions "Small business Togliatti", "Services for small business", "Golden Hands" fair, etc. BI staff members have organized 46 seminars, competitions, 17 trainings, which were attended by 2553 people. Consultations were also held for 2496 people. Within the framework of the direction – work with youth, events were held, in which 1517 people took part. Joint events with partners, activities in the field of tourism, foreign economic activity, promotion and popularization of entrepreneurship in Togliatti were also held.

Student business incubator "Oreh" of NEFU Arctic innovation center

We provide the following services to residents: (1) Scientific and technical projects arrangement competitions; (2) Comprehensive consulting and information services on the legislation of the Russian Federation in the form of supplementary education for Business incubator residents; entrepreneurship, scientific and technical expertise, protection of industrial and intellectual property, copyright and commercial confidentiality protection, taxation, lending, investment, with further certification; (3) Promoting the establishment and development of small science and technology enterprises; (4) We provide students and postgraduates with assistance in arranging internships of at scientific and technological enterprises, including abroad; (5) We host conferences, exhibitions, seminars on organizational, economic and legal issues of entrepreneurship in the scientific and technical sphere, including international participants; (6) Cooperation with the District administration of Yakutsk, the Fund for development and support of small business of the Republic of Sakha (Yakutia), other Russian and international funds and programs; (7) Assistance in raising investment for research and development, projects and programs of students, postgraduates and young scientists, ensuring the introduction of innovations; (8) Organization of independent expertise of projects and products created by students, postgraduates and young scientists in the Business incubator; (9) Marketing expert and research activities (accumulation of commercial information on the situation on various markets and

their conjuncture, forecasting trends in their development); (10) Economic surveys and appropriate recommendations; (11) Marketing services for Business incubator residents; (12) We also develop and appropriate mechanisms for further interaction of the Business incubator with entrepreneurs who have successfully completed our training program and implemented their projects; (13) Psychological consulting. // From February to April 2015, together with the Venture capital company "Yakutia", we conducted an acceleration program "One in a million". The program was created to promote entrepreneurship among young people and support youth initiatives to develop business projects. Participation in the program involves intensive training in the basics of entrepreneurship and developing a business idea to a business project that can actually be implemented. Lectures, master classes, trainings and consultations were held for the participants of the acceleration program. In total, over 300 applications were submitted. The program had three stages. At the first stage, the applicants briefly presented the main idea of the business project, after which teams which were further to be trained at the next stage of the program were picked out by the expert Committee. The second acceleration stage included special training, mentoring and business planing. The third final stage of the program was held on April 7. The contestants presented their business projects to the expert Committee. The best student business project of the acceleration program "One in a million" was a project called "Robohaus" by the team «Mix team». Out of the 12 best projects of the competition, which passed to the final stage of the program, the members of the expert Commission highlighted as the most feasible and, at the same time, innovative a «smart home» project which worked on creating a system that would allow users to control their homes through a smartphone app. Note that the smart home project attracted investment - 1 million rubles from the venture company "Yakutia".

Business incubator of Strogino technopark

The practice of creating an Expert Council with qualified consultants, assessing the quality of projects at their recruitment. The mechanism of increasing the % of successful projects. Our full cycle of project support from idea to manufacturing. Organization of the activity of a business incubator as a part of a technopark and collaboration with larger business.

Q9: What kind of support do you need from the government?

Altai Business Incubator

Not to interfere with initiatives, to reduce overregulation of the processes of rendering services for the budgetary organizations, to change the legal status of all incubators to a more suitable one to work with SMEs.

Higher School of Economy Business Incubator

We are experiencing a lack of premises – this is our easiest issue from the point of view of finding a solution. In general there is also a lack of systematic government work on promoting technological entrepreneurship and protecting the rights of entrepreneurs and investors.

Biyskiy Business incubator

(No answer)

ITC MATI

The creation of a single informational Internet resource that would help to support and promote innovative centres.

Institute of Economics and management Business Incubator (Pyatigorsk)

For 30 years there was no support and do not expect any.

MGIMO Business Incubator

Creation and development of innovation ecosystem which would have many positive results not only for small enterprises but for our operation as a business incubator as well.

Business Incubator of the Saratov region

Creating an enabling environment for startups. Support for venture funds and business angels (tax deductions). Popularization of business incubation.

Togliatti Business Incubator

All kinds of entrepreneurship support programs.

Student business incubator "Oreh" of NEFU Arctic innovation center

Support of University Incubators and Universities themselves.

Business incubator of Strogino technopark

Increase of the number of programs on startup financial support and simplification of the process of getting access. Assistance in promoting incubator residents' products to state structures and institutions. Organization of pilot platforms for the deployment of residents' products. Development of a mechanism to assist in all types of certification, licensing and accreditation of residents' innovations.

Q10: What could the government do to enhance the impact of this business incubator (jobs, joint up services, etc)?

Altai Business Incubator

To consider the opportunity of letting business incubators enter the capital of their residents. Create a professional Association giving the community the power of self-organization.

Higher School of Economy Business Incubator

Launch an incubator staff development program, which includes internships in the world's most efficient business incubators. And of course support is required in the establishment of a favorable environment for business development and the promotion of entrepreneurship.

Biyskiy Business incubator

(No answer)

ITC MATI

They could develop of a legal framework in this orientation, the creation of "uniform rules" for the functioning of infrastructural organizations.

Institute of Economics and management Business Incubator (Pyatigorsk)

There are many Federal programs that we host together with the "Entrepreneurship Support Fund" of Stavropol and the Fund for innovation and business incubation, which makes it possible for regional students to master competencies that are not provided for in Federal educational standards.

MGIMO Business Incubator

Informational support, more grants aimed at developing student entrepreneurship.

Business Incubator of the Saratov region

Improving the legislative framework for BI – expanding business opportunities in addition to all support measures previously mentioned.

Togliatti Business Incubator

Besides the supportive measures, remove legal restrictions on the BI activities.

Student business incubator "Oreh" of NEFU Arctic innovation center

Promotion of youth entrepreneurship. Support for business angels. The creation of venture funds within the universities for the funding of the residents of business incubators.

Business incubator of Strogino technopark

Involvement of the business community in the activities of business incubators as mentors, consultants free of charge. Popularization of the business incubator as a center of entrepreneurship development. Professional development training courses for incubator employees, the opportunity to exchange experience in the development and support of Russian and foreign business incubators. To organize engagement with state Corporations. To develop measures of additional tax incentives for residents of BI and BI management companies.